



OFFICE OF MANAGEMENT AND BUDGET

FAIRFAX COUNTY ECONOMIC INDICATORS ©

Publication 67

OCTOBER 1997

◆◆◆ OCTOBER HIGHLIGHTS ◆◆◆

- ☐ Local job growth, as indicated by the employment of Fairfax County residents, accelerated to 6.3 percent in August, according to the Virginia Employment Commission.
- ☐ Despite a low unemployment rate of 4.9 percent on the national level, the unemployment rates registered in both Fairfax County and the Commonwealth continue to be below that of the country as a whole.
- ☐ August retail performance outpaced that of one year ago in Northern Virginia, as indicated by October sales tax receipts. Fairfax County, for example, experienced an increase of 9.0 percent.
- ☐ Inflation, as measured by the Consumer Price Index, remains low at 1.8 percent. This compares to 3.3 percent in 1996.
- ☐ Issues of nonresidential building permits by the County posted a significant increase for the fourth consecutive month in September. As a result, permit issues through September are up 42.3 percent, or 60 permits, over that of last year. By contrast, issues of residential dwelling building permits continue to weaken.
- ☐ The volume of existing homes sold in the County through August exceeds that of 1996 by significant margins, while the new home segment has weakened further.
- ☐ A second consecutive decline in the County's Leading Index suggests more moderate growth in 1998, while the County Coincident Index posts another gain.

The *Fairfax County Economic Indicators* is now on the Web and can be accessed at:

<http://www.co.fairfax.va.us/comm/economic/economic.htm>

If the web versions are sufficient for your needs, please contact Marijke Hannam at (703) 324-4518 to be taken off the monthly mailing list.



RESIDENTIAL EMPLOYMENT - AUGUST



Source: Virginia Employment Commission
Compiled by the Fairfax County Office of Management and Budget

Local job growth accelerates in August...

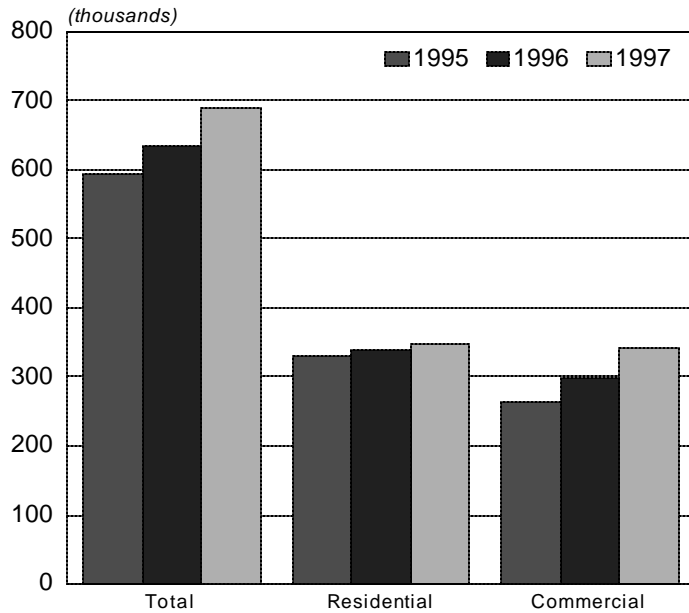
In August, the County's unemployment rate edged up a slight 0.1 percentage points to 2.4 percent from July, according to the Virginia Employment Commission (VEC). As has been the case in recent months, though, August's rate is significantly below that of one year ago. An unemployment rate of 2.8 percent was registered in August 1996, for example. The VEC also reported that 525,809 Fairfax County residents were employed in August, up 6.3 percent, or 31,144 jobs, over the prior year. It should be noted that job growth has accelerated in 1997, with August posting the most significant gains relative to the prior year.



National unemployment rate low, but not as low as that of the County and the Commonwealth...

The Commonwealth's unemployment rate declined further in August, dropping 0.2 percentage points to 4.1 percent. Despite a low national unemployment rate of 4.9 percent in August, unemployment in both Fairfax County and the Commonwealth continue to register rates below that of the country as a whole.

BELL ATLANTIC TELEPHONE LINES FAIRFAX COUNTY - SEPTEMBER



Source: Bell Atlantic
Compiled by the Fairfax County Office of Management and Budget

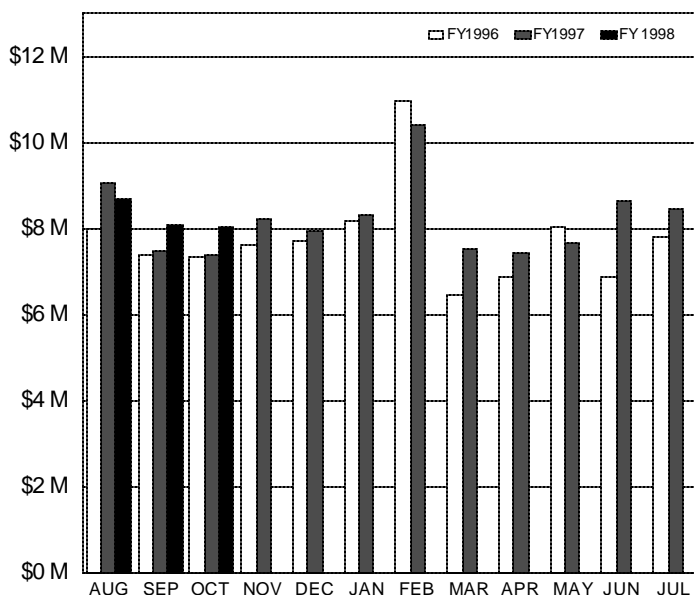
The number of telephone lines in the County continues to climb...

Bell Atlantic, the primary provider of local telephone service in Fairfax County, maintained 688,413 telephone lines as of September 30, up 8.5 percent, or 53,799 lines, over September 1996. Consistent with past trends, the business sector is responsible for the majority of this growth, adding 43,448 lines, in the past twelve months. In September, 340,466 business telephone lines were registered in Fairfax County, up 14.6 percent over last year. Residential telephone lines totaled 347,947 in September, up 3.1 percent, or 10,351 lines, over the prior year.



SALES TAX REVENUES

(revenues represent retail sales two months prior)



Source: Virginia Department of Taxation
Compiled by the Fairfax County Office of Management and Budget

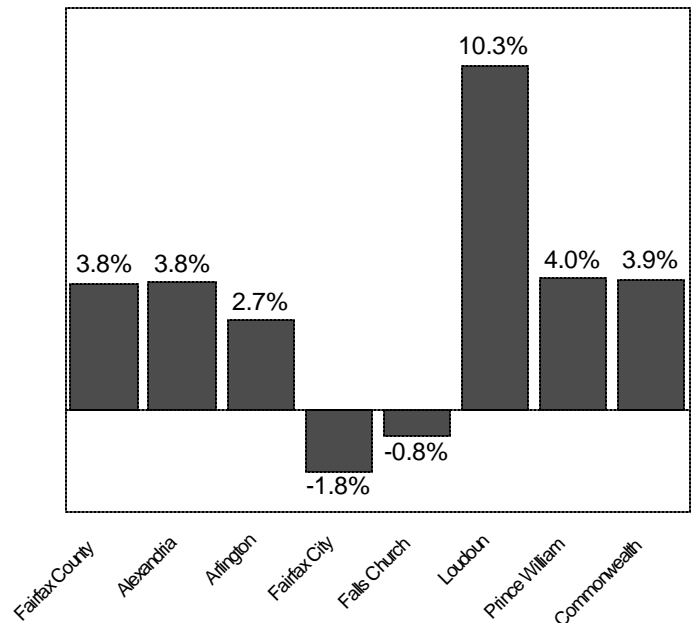
County's sales tax receipts through October outpacing FY 1997 by 3.8 percent...

Fairfax County's October sales tax receipts, representing retail purchases made in August, topped the prior year by 9.0 percent. To date, fiscal year sales tax receipts total \$24.8 million and lead FY 1997 by a 3.8 percent margin.

Fairfax County's October sales tax receipts, representing retail purchases made in August, topped the prior year



FY 1998 SALES TAX RECEIPTS - THROUGH OCTOBER



Source: Virginia Department of Taxation
Compiled by the Fairfax County Office of Management and Budget

Retail performance strong throughout Northern Virginia in August...

October sales tax receipts indicate that retail performance throughout Northern Virginia in August topped that of August 1996. As a result, sales tax receipts for the first quarter of FY 1998 are up 10.3 percent in Loudoun, 4.0 percent in Prince William, 3.8 percent in Alexandria, and 2.7 percent in Arlington. The strong performance in October was not enough to erase the cumulative fiscal year deficits of 1.8 percent and 0.8 percent in Fairfax City and Falls Church, however. The Commonwealth experienced a 9.1 percent increase in total sales tax receipts in October, thereby eliminating the deficit relative to FY 1997 and establishing a lead of 3.9 percent.

National retail sales activity slows in August...

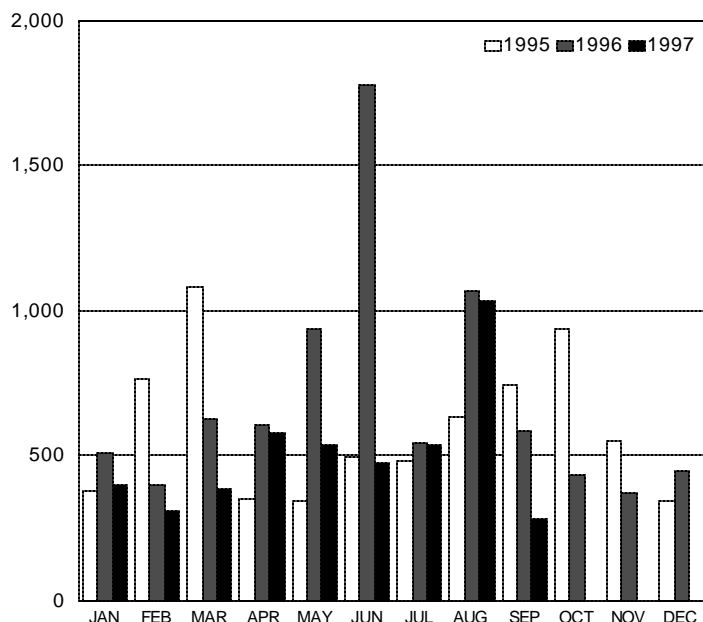
According to the Commerce Department, retail sales on the national level slowed slightly in August, topping the prior year by narrower 3.9 percent margin. Durable goods sales posted a 4.4 percent advance while nondurable goods sales topped the prior August by 3.7 percent.

Inflation running 1.8 percent thus far in 1997...

Thus far in 1997, inflation, as measured by changes in the Consumer Price Index for Urban Consumers (CPI-U), is running 1.8 percent, according to the Bureau of Labor Statistics. This compares to a total increase of 3.3 percent in calendar year 1996.

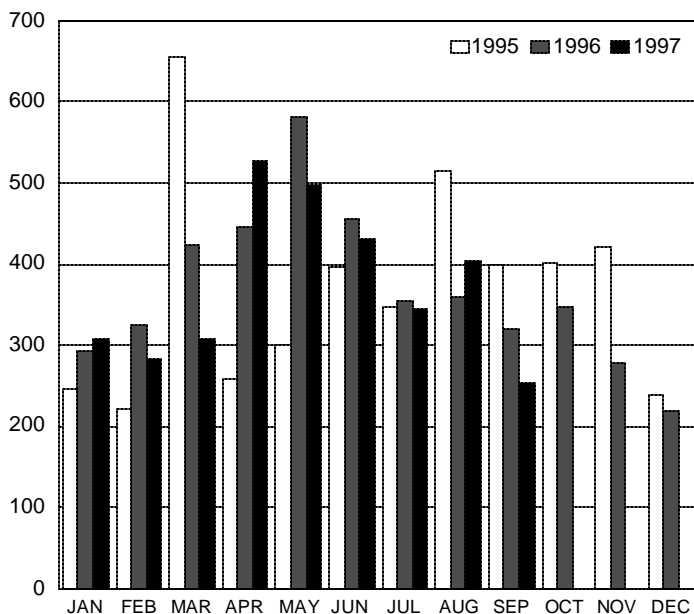
BUILDING PERMITS IN FAIRFAX COUNTY

NUMBER OF RESIDENTIAL BUILDING PERMITS NEW DWELLINGS



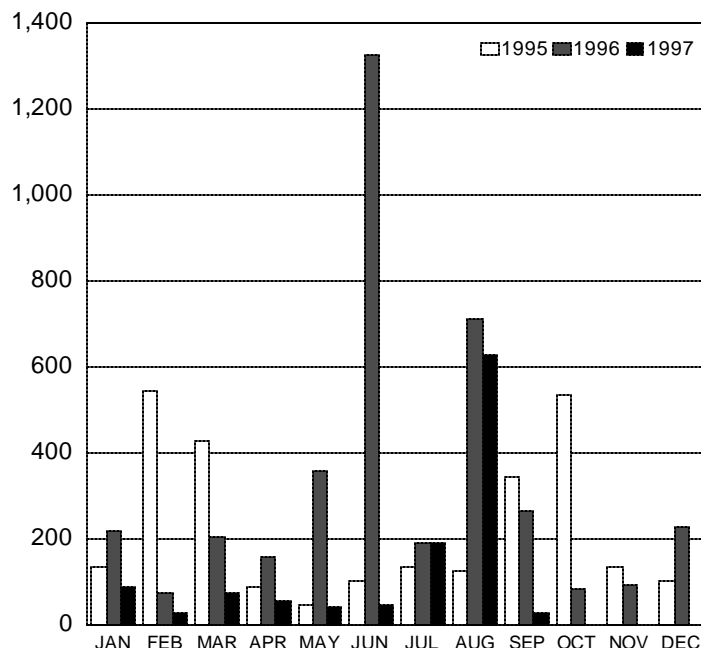
Source: Department of Environmental Management
Compiled by the Fairfax County Office of Management and Budget

NUMBER OF RESIDENTIAL BUILDING PERMITS NEW SINGLE FAMILY DWELLINGS



Source: Department of Environmental Management
Compiled by the Fairfax County Office of Management and Budget

NUMBER OF RESIDENTIAL BUILDING PERMITS NEW MULTIFAMILY DWELLING



Source: Department of Environmental Management
Compiled by the Fairfax County Office of Management and Budget

have been issued during the first three quarters of 1997, down 35.8 percent, or 2,528 permits from the same period in 1996. This deficit is due primarily to the multifamily component. Permit issues for multifamily structures total 1,181, down 66.3 percent, or 2,322 permits. Through September, 3,355 permits have been issued for single family structures, down 5.8 percent, or 206 permits, from 1996. Residential repair and alteration permit issues fell short of the prior year for the fifth consecutive month in September. Consequently, the 11,271 residential repair permit issues trail that of 1996 by 2.2 percent, or 258 permits.

National housing starts down 2.2 percent through September...

New privately owned housing starts on the national level continue to be down, although the deficit narrowed in September. For the first three quarters of 1997, housing starts trail the previous year by 2.2 percent, according to the Commerce Department. As has been the pattern for the past several months, only the Northeast is experiencing growth relative to 1996. To date, deficits of 7.4 percent and 3.7 percent have been established in the Midwest and the West, respectively, while housing starts are flat in the South. By contrast, housing starts in the Northeast are outpacing the prior year by a 3.6 percent margin through September.

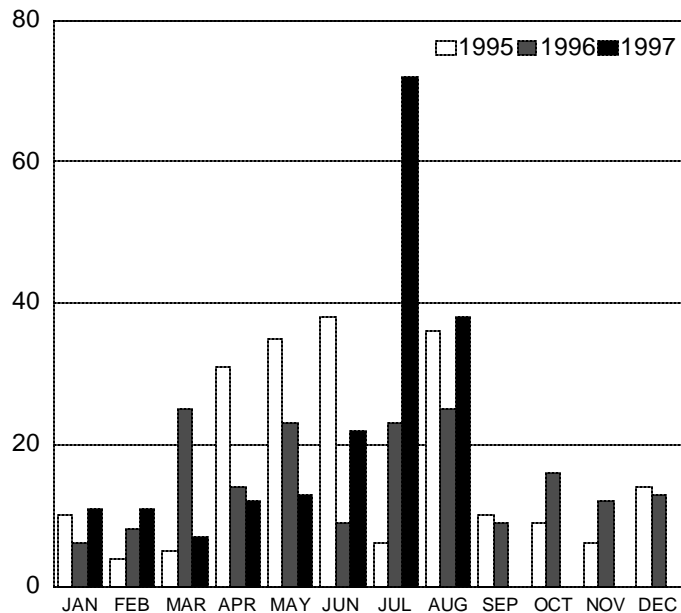
Issues of residential building permits down slightly nationwide through September...

The Commerce Department also reported that the number of residential building permits issued nationwide through September trails that of 1996 by 0.7 percent. For the first three quarters of 1997, residential building permits issues are up 4.0 percent in the Northeast, 1.0 percent in the South and 0.9 percent in the West. By contrast, issues of residential building permits in the Midwest are down 7.6 percent to date.

**Issues of new residential
dwelling permits decline
for the 9th straight month
in September...**

Issues of new residential dwelling permits slipped in September for the ninth consecutive month. As a result, 4,536 permits

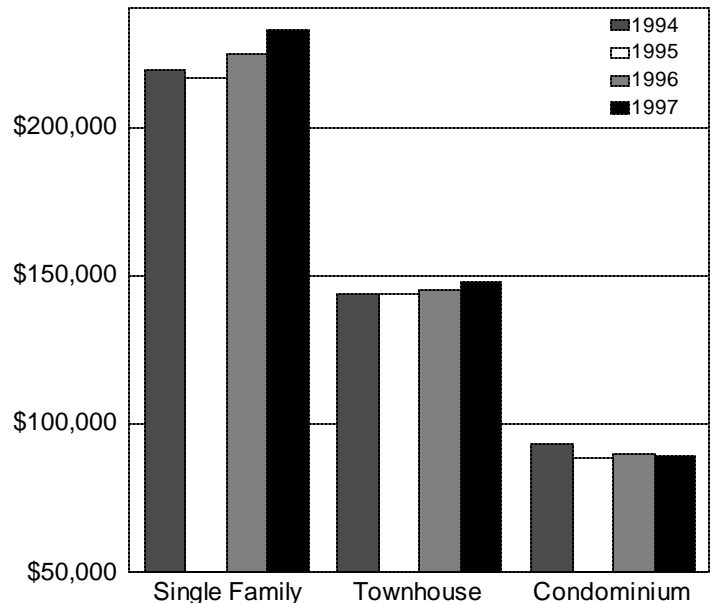
NUMBER OF NONRESIDENTIAL BUILDING PERMITS NEW STRUCTURES



Source: Department of Environmental Management
Compiled by the Fairfax County Office of Management and Budget

HOME SALES IN FAIRFAX COUNTY

MEDIAN PRICE OF EXISTING HOMES SOLD JANUARY - AUGUST 1997 COMPARED TO ANNUAL MEDIAN PRICES 1994 - 1996



Source: Department of Tax Administration
Compiled by the Fairfax County Office of Management and Budget

Issues of nonresidential building permits top prior year for fourth consecutive month in September...

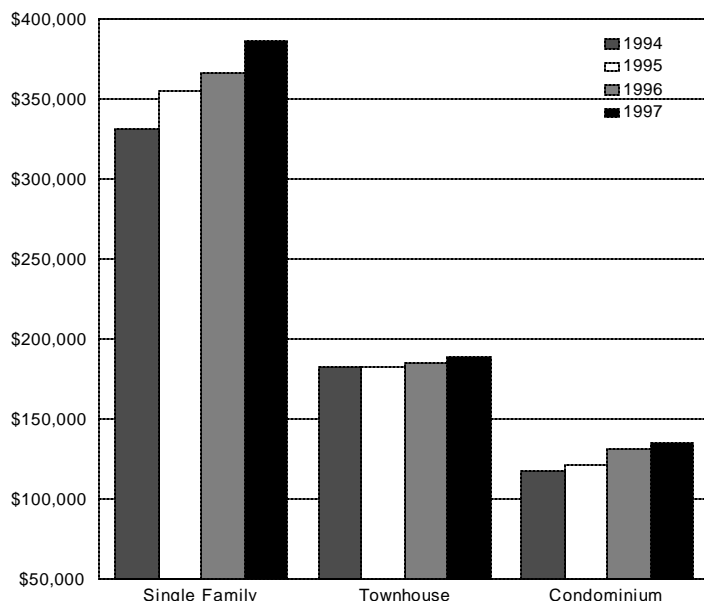
For the fourth consecutive month, a significant increase in the number of nonresidential building permits issued was posted in September. As a result, issues through September top that of last year by 42.3 percent, or 60 permits. To date, 202 nonresidential building permits have been issued. By contrast, issues of nonresidential repair and alteration permits lost ground for the fourth straight month in September, thereby sustaining the year-to-date deficit. Through September, 2,886 nonresidential repair and alteration permits have been issued, down 2.5 percent, or 75 permits from last year.

Existing condominiums down through August...

Based on sales data through August, the median selling prices of existing single family homes and townhomes in the County have increased, while that of existing condominiums has declined slightly. More specifically, the median selling price of existing single family homes through August is \$233,000, up 3.6 percent from 1996's \$225,000. Similarly, a median selling price of \$147,700 has been established for existing townhomes thus far in 1997, up 1.9 percent over the \$145,000 registered in 1996. By contrast, existing condominium sales through August indicate a slight 1.2 percent decline in the median selling price to \$89,200 from \$90,243 in 1996.

Please note that staff verifies that each real estate transaction is an arms-length sale. In doing so, these data may be revised in the coming months.

MEDIAN PRICE OF NEW HOMES SOLD JANUARY - AUGUST 1997 COMPARED TO ANNUAL MEDIAN PRICES 1994 - 1996

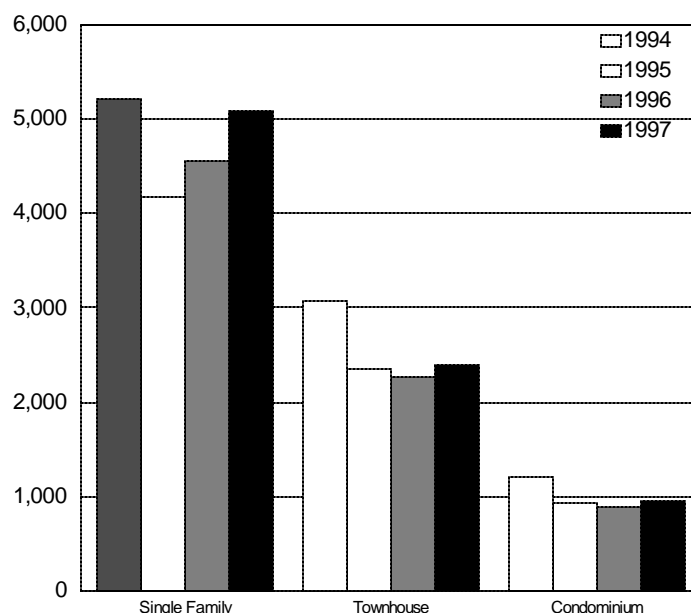


Source: Department of Tax Administration
Compiled by the Fairfax County Office of Management and Budget

New homes selling for higher prices...

Sales data through August indicate increases in the median selling prices of new homes in the County. For the first eight months of the year, the median selling price of new single family homes has increased 5.2 percent to \$386,350 from the \$367,225 registered in 1996. New condominiums have sold for a median price of \$134,914, an increase of 2.1 percent over the \$132,185 registered in 1996. Similarly, new townhomes have sold for a median price of \$189,275 thus far in 1997, up 2.1 percent from the \$185,400 established in 1996.

NUMBER OF EXISTING HOMES SOLD JANUARY - AUGUST 1994 - 1997



Source: Department of Tax Administration
Compiled by the Fairfax County Office of Management and Budget

PERCENTAGE CHANGE IN MEDIAN PRICE OF HOMES SOLD JANUARY - AUGUST 1997 COMPARED TO 1996 ANNUAL

	Existing Sales	New Sales
Single Family	3.6	5.2
Townhouse	1.9	2.1
Condominium	-1.2	2.1

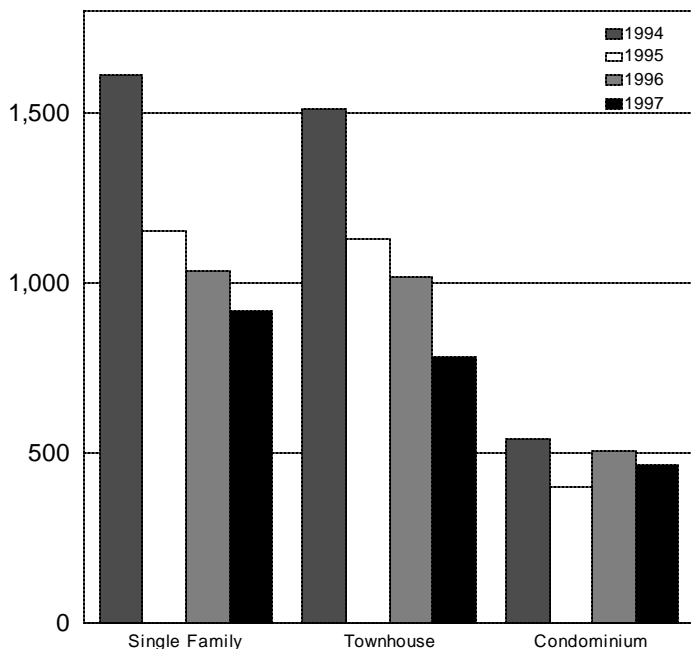
Source: Department of Tax Administration
Compiled by the Office of Management and Budget

Changes in selling prices, coupled with the volume of sales, are generally considered to be reasonable indicators of the County's real estate market. Median selling price increases do not translate directly into assessment adjustments, however, since the mix of homes sold is not necessarily reflective of the County's entire housing stock. Changes in median selling prices are comparisons to the prices of homes sold during the prior year, and the type of homes sold (i.e., model, size, age, location, etc.) varies from one year to the next. The key factor in real estate assessments is not the change in the median sale price, but the relationship of assessments to the selling prices within neighborhoods.

The sales volume of existing homes up through August...

The volume of existing home sales in August outpaced that of one year ago by significant margins, thereby contributing to the year-to-date leads established in the prior months. During the first eight months of 1997, 5,079 existing single family homes have been sold, up 11.7 percent, or 531 homes, over the level registered in 1996. Additionally, 966 existing condominiums sold through August, resulting in a lead of 7.5 percent, or 67 homes, over last year. Sales of existing townhomes total 2,394 units to date, up 5.2 percent, or 118 units, over the same period in 1996.

NUMBER OF NEW HOMES SOLD JANUARY - AUGUST 1994 - 1997



Source: Department of Tax Administration
Compiled by the Fairfax County Office of Management and Budget

New home sales continue to weaken in terms of volume...

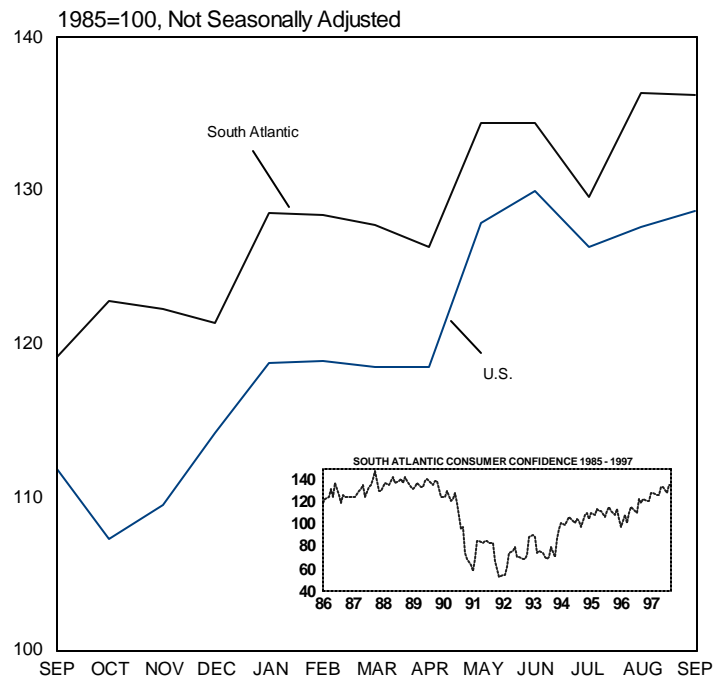
In stark contrast to the existing home market, the volume of new home sales continued to weaken in August, relative to the pace set in 1996. New townhomes and single family homes sales have fallen the most to date. Through August, 784 new townhomes have been sold, down 23.2 percent, or 237 units, from the same period in 1996. Similarly, sales of new single family homes total 923 through August and are down 10.9 percent, or 113 units, from 1996. To date, 468 new condominiums have been sold, down a more moderate 8.2 percent, or 42 units, from last year.

National new home sales slows in August, but still up 6.0 percent to date...

Slowing sales of new homes nationwide caused the year-to-date lead relative to last year to narrow to 6.0 percent in August, according to the Commerce Department. More specifically, new home sales are up 26.7 percent in the Northeast, 6.3 percent in the South, 2.0 percent in the West, and 1.0 percent in the Midwest for the first eight months of 1997.

ADDITIONAL INDICATORS

CONSUMER CONFIDENCE INDICES

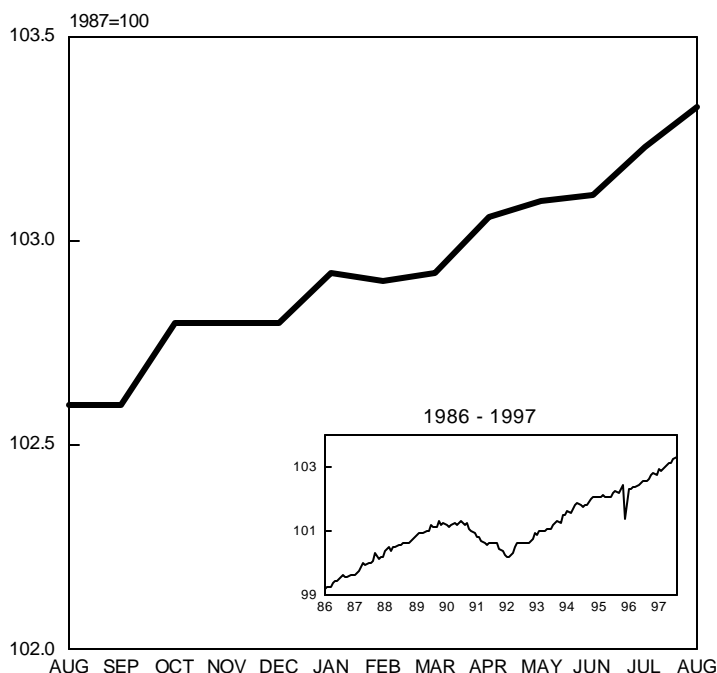


Consumer confidence in the South Atlantic slips 0.2 points in September...

The Conference Board's South Atlantic Consumer Confidence Index slipped slightly in September, shaving off 0.2 points to 136.2. As shown in the chart, however, consumer confidence is still running at a very high level. In September, the national Consumer Confidence Index rose 1.0 points to 128.6. Analysts at the Conference Board cite the stabilization of the Consumer Confidence Index at levels not seen in nearly thirty years as a signal that the economy should continue on its steady upward path.

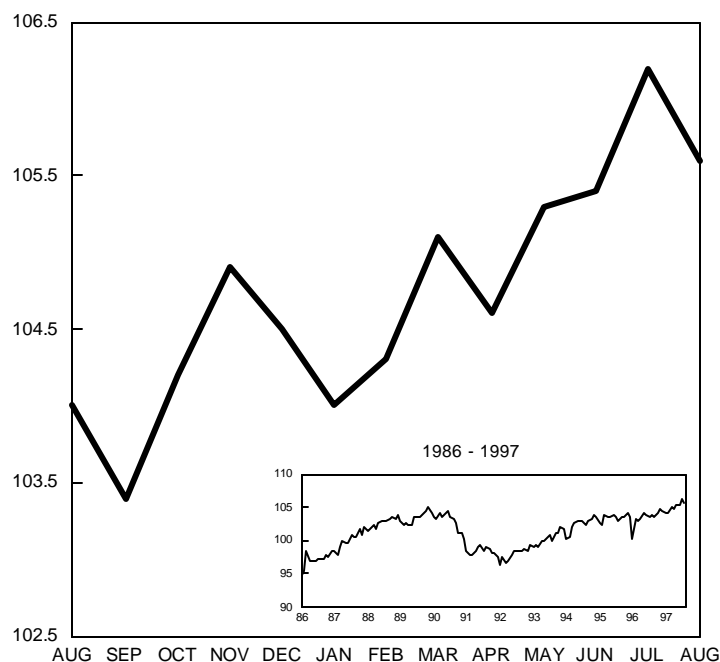
The following section includes a discussion of economic indices for three different geographic entities. The coincident indices assess current economic performance, while the leading indices signal what economic conditions will be in 9 to 12 months for the respective economies. Fairfax County's Indices are discussed first, followed by the Metropolitan Indices which consider the Washington Metropolitan economy, and the Virginia Indices which focus on the entire Commonwealth. Together, these indices are intended to provide a broad assessment of the economic climate confronting, and likely to impact, County residents and businesses.

FAIRFAX COUNTY COINCIDENT INDEX



Sources: Dr. Stephen Fuller
Fairfax County Office of Management and Budget

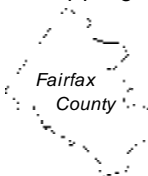
METROPOLITAN COINCIDENT INDEX



Source: Economic Reporter Online
Compiled by the Fairfax County Office of Management and Budget

Economic growth continues in County...

The Fairfax County Coincident Index, which represents the current state of the County's economy, gained 0.1 point in August, increasing to 103.33. For the second time in 12 months, all four of the Index's components were positive: Total covered employment increased for the second consecutive month; Transient Occupancy Tax collections posted a third straight gain; Sales Tax receipts registered another advance; and, the South Atlantic Consumer Confidence Index increased sharply after dropping in July. New job generation continues to be the County's major source of economic growth with rates nearly double that of the national average. Consumer confidence is also helping to fuel growth in the retail market.



Metropolitan Coincident Index slips in August...

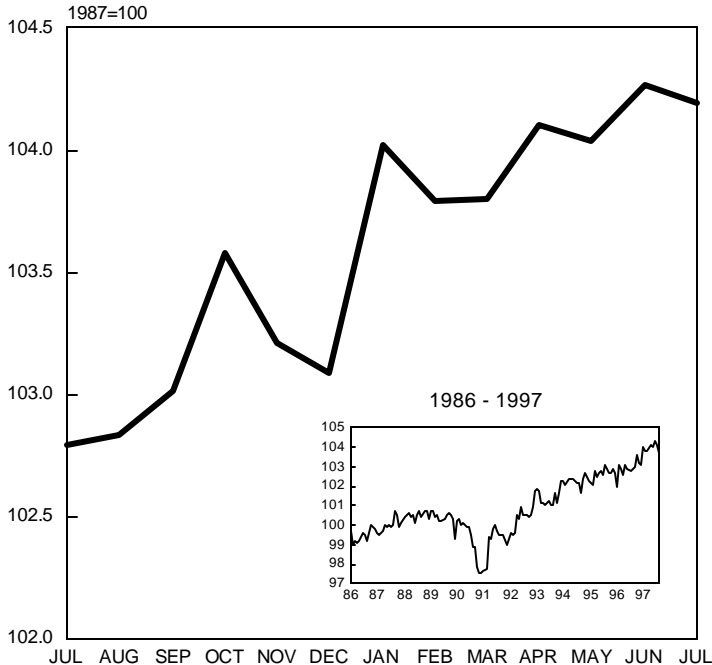
The Metropolitan Coincident Index, which reflects the current state of the Washington Metropolitan area economy, slipped 0.6 points in August to 105.6. Half of the Index's four components contributed to this decline. More specifically, domestic airport passenger volume and total wage and salary employment dropped from their July levels, while nondurable goods retail sales and consumer confidence in the South Atlantic posted advances.



Crestar Bank's Virginia Coincident Index advanced 0.4 points in August to 147.8, the Index's fourth consecutive gain. Only real taxable retail sales and manufacturing employment were negative in August.

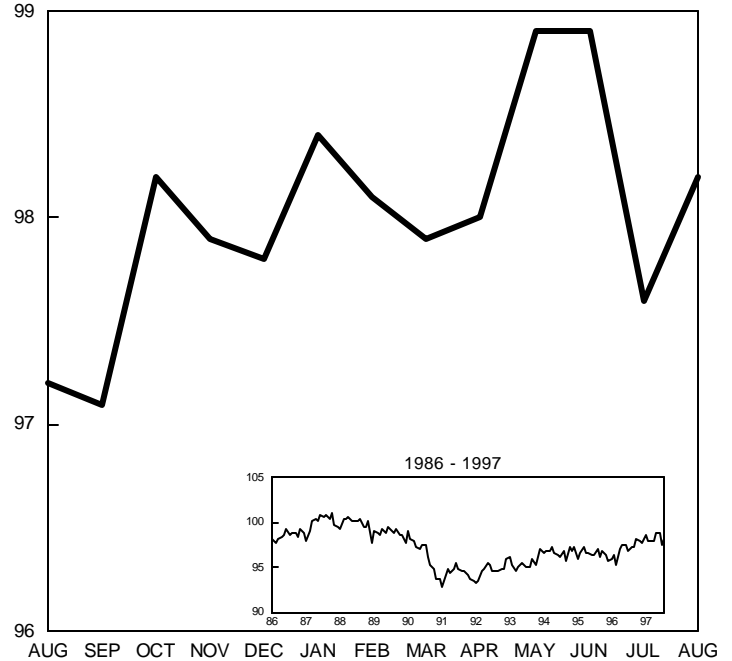


FAIRFAX COUNTY LEADING INDEX



Sources: Dr. Stephen Fuller
Fairfax County Office of Management and Budget

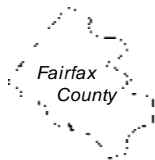
METROPOLITAN LEADING INDEX



Source: Economic Reporter Online
Compiled by the Fairfax County Office of Management and Budget

**County likely to
experience slower
growth in 1998...**

The Fairfax County Leading Index, which is designed to forecast the performance of the County's economy 9 to 12 months in the future, declined for a second consecutive month, losing 0.35 points in August to 103.72. Over the last 12 months, the Index has been up six months and down six months. While Dr. Fuller cautions that it is still too early to determine if the two most recent declines are part of a downward trend, he does suggest that some of the forces driving the County's current economy may moderate in 1998. Slower growth, however, according to Dr. Fuller, will be more sustainable and less of a threat to those concerned about inflation. In August, three of the Index's five components contributed to its decline: Initial claims for unemployment insurance increased (worsened); the mean value of residential building permits posted a second straight decline; and new automobile registration interrupted their two-month long positive trend. On the positive side, the number of residential building permits issued increased sharply in August and consumer expectations (consumer confidence six months hence) turned up after declining in June and July.



**Metropolitan
Leading Index
rebounds in
August...**

The Metropolitan Leading Index, which is designed to forecast local economic performance in the Washington metropolitan area 9 to 12 months in advance, rebounded somewhat from its July losses in August. The Index gained 0.6 points, climbing to 98.2. In August, three of the Index's five components were positive. Issues of residential building permits, consumer expectations, and durable goods retail sales all advanced beyond their July levels. On the other hand, initial unemployment claims increased (worsened) and the Help Wanted Index waned.

**Virginia Leading
Index slips slightly
in August...**

The Virginia Leading Index, produced by Crestar Bank, declined 0.3 points to 162.1 in August. Despite August's drop, analysts at Crestar Bank expect that the Virginia economy will continue its current expansion, at least through the early portion of 1998.



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